

## Message Text

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16

ACTION EA-10

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CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03

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SUBJECT: ROK-SAUDI ECONOMIC RELATIONS: KOREAN CONSTRUCTION  
INDUSTRY SEEKS MORE WORK IN SAUDI ARABIA

REF: A. SEOUL 2957 (NOTAL; B. SEOUL 2894; C. SEOUL 2359

SUMMARY: ROK GOVERNMENT SEEKS TO EXPAND KOREAN CONSTRUCTION  
CONTRACTS IN SAUDI ARABIA FROM ESTIMATED \$100 MILLION  
IN 1974 TO \$300 MILLION IN 1975. CONSORTIUM OF KOREAN  
CONSTRUCTION FIRMS IS ALSO SEEKING SUBCONTRACTS FROM  
U.S. FIRMS FOR WORK IN SAUDI ARABIA. END SUMMARY

1. SAUDI MINISTER FOR COMMUNICATIONS SHEIKH MOHAMMED  
OUMAR TAWFIQ (WHO ALSO HOLDS PORTFOLIOS FOR CONSTRUCTION  
AND TRANSPORTATION) VISITED SEOUL APRIL 25 - MAY 2 AT  
INVITATION OF ROK CONSTRUCTION MINISTER KIM, JAE KYU.  
MEMORANDUM OF AGREEMENT, PREPARED DURING TAWFIQ'S VISIT,  
AND STILL SUBJECT TO SAUDI GOVERNMENT APPROVAL, REPORTEDLY  
WILL PROVIDE KOREA WITH MORE OPPORTUNITIES FOR PROJECTS  
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IN SAUDI ARABIA, BUT DETAILS TO BE WORKED OUT LATER.

TAWFIQ REPORTEDLY PLEDGED COOPERATION WITH STATE-OWNED KOREA HIGHWAY CORPORATION AND PRIVATE CONTRACTORS RECOMMENDED BY ROK GOVERNMENT, INCLUDING RECENTLY ESTABLISHED KOREA OVERSEAS CONSTRUCTION CORPORATION (KOCC, A CONSORTIUM OF 25 KOREAN CONSTRUCTION FIRMS, INCLUDING THE LARGEST ONES). MINISTER KIM IN RETURN AGREED THAT ROK CONSTRUCTION MINISTRY WOULD TRAIN SAUDI TECHNICIANS AND ENGINEERS AND SEND KOREAN ENGINEERS TO SAUDI ARABIA TO DEVELOP GOVERNMENT BUREAU OF ROADS. AGREEMENT ALSO PROVIDES FOR ANNUAL MEETINGS BETWEEN TWO GOVERNMENTS ON COOPERATION IN CONSTRUCTION AND RELATED FIELDS, WITH FIRST MEETING FORESEEN FOR 1976 IN SAUDI ARABIA.

2. SAUDI ARABIA LOOMS LARGE IN KOREAN EYES AS MARKET FOR CONSTRUCTION SERVICES. PRESS QUOTED TAWFIQ AS SAYING THAT HALF OF SAUDI BUDGET, REPORTED AS \$10 BILLION, WAS FOR CONSTRUCTION. ACCORDING LOCAL ESTIMATES, KOREA OBTAINED \$100 MILLION IN CONSTRUCTION CONTRACTS IN SAUDI ARABIA IN 1974, OR OVER ONE-THIRD OF ALL KOREAN OVERSEAS CONSTRUCTION, AND HOPES FOR \$300 MILLION IN SAUDI IN 1975. SIX KOREAN CONSTRUCTION FIRMS ARE REPORTEDLY ALREADY ESTABLISHED IN SAUDI ARABIA WITH SEVERAL HUNDRED KOREAN EMPLOYEES ENGAGED, AMONG OTHER THINGS, IN BUILDING CRUDE OIL STORAGE FACILITIES, CARRYING OUT A \$24 MILLION ROAD PAVING PROJECT BETWEEN ALULA AND KHAYBAR, AND WORKING ON \$24.3 MILLION CITY BEAUTIFICATION PROJECT IN JIDDA (POSSIBLY TO BE EXPANDED TO \$150 MILLION). KOCC CONSORTIUM IS PRESENTLY CIRCULARIZING MAJOR U.S. CONSTRUCTION FIRMS IN HOPE OF PICKING UP SUBCONTRACTS FOR CONSTRUCTION WORK IN SAUDI ARABIA AND OTHER MIDDLE EAST COUNTRIES.

3. AS FOLLOW-UP TO RECENT VISIT TO SAUDI ARABIA OF ROK PRIME MINISTER KIM, JONG PIL, (REFS A AND B) ROKG TENTATIVELY PLANS EARLY DISPATCH WORKING-LEVEL ECONOMIC COOPERATION TEAM. ON PRIVATE SIDE, KOREA-SAUDI ARABIA ECONOMIC COOPERATION COUNCIL, WHICH 104 KOREAN FIRMS HAVE JOINED, HELD ITS FIRST GENERAL MEETING IN SEOUL IN APRIL.

4. COMMENT: ROK GOVERNMENT AND PRIVATE BUSINESS ARE WORKING EFFECTIVELY IN CONCERT TO EXPAND KOREA'S CONSTRUCTION LIMITED OFFICIAL USE

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RECEIPTS FROM SAUDI ARABIA. ASIDE FROM ALREADY DEMONSTRATED CAPACITY FOR CONSTRUCTION WORK, KOREA WOULD APPEAR HAVE SPECIAL COMPETITIVE ADVANTAGE INsofar AS ROK GOVERNMENT "RECOMMENDATION" OF KOREAN FIRMS TO SAUDI GOVERNMENT IMPLIES PERFORMANCE GUARANTY WHICH U.S. AND EUROPEAN GOVERNMENTS CANNOT OFFER. NET FOREIGN EXCHANGE RECEIPTS FROM ALL OVERSEAS CONSTRUCTION HAVE AVERAGED 35 PERCENT OF CONTRACTS. KOREA HOPES OBTAIN TOTAL OF \$500 MILLION IN NEW

CONTRACTS THIS YEAR. FOREIGN EXCHANGE RECEIPTS (MAINLY  
FROM OLD CONTRACTS) WILL PROBABLY RISE FROM \$23 MILLION  
TO AROUND \$50 MILLION.  
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